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**NYNEX**

October 16, 1996

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**OCT 16 1996**

Federal Communications Commission  
Office of Secretary

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M. Street, N.W. Room 222  
Washington, DC 20554

**RE: CC Docket 96-45 Universal Service**

Dear Mr. Caton:

The attached letter by Frank Gumper, NYNEX Vice President Regulatory Planning, was delivered today to Commissioner Rachelle Chong. The letter sets forth NYNEX's position with respect to Education in CC Docket 96-45.

Questions regarding this matter should be directed to me at the above noted address or telephone number.

Sincerely,



cc: D. Gonzalez

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**Frank J. Gumper**  
Vice President, Federal Regulatory Planning



October 16, 1996

**Ex Parte**

The Honorable Rachelle B. Chong  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

**Re: CC Docket No. 96-45 - Education Proposal**

Dear Commissioner Chong:

As you requested, enclosed is a summary of NYNEX's current education proposal. I have also included a summary of the NYNEX proposal in bullet form following the letter.

The NYNEX Education Proposal allows schools and libraries to define the services for which they need support from the universal service fund. NYNEX has recommended the establishment of an Education Telecommunications Council to assist in this process. The Joint Board should define universal service to include the internal connections, and associated equipment, that are needed to ensure that telecommunications and information services are delivered to the classroom. NYNEX recommends that the Joint Board should also include voice mail service, which has a very close affinity with a "telecommunications service," and has proven to be of extreme benefit in a learning environment to teachers, parents and students alike.

The Joint Board should, using an acceptable benchmark, such as McKinsey, estimate a total nationwide cost of providing these services, in order to establish a predictable, set amount of funding under universal service. This amount would be divided by the number of students to produce, on a disaggregated basis, a price per urban student, and a price per rural student, for purposes of calculating a benchmark discount per student. NYNEX has proposed funding the costs identified by McKinsey as "start-up" costs at a level of 75%, and ongoing costs at 50%. However, in place of urban/rural disaggregation, and in order to control the

size of the fund as well as provide funding where it is needed, the Joint Board could optionally: 1) include a high-cost "kicker," whereby any schools whose costs of service exceed 130% of the national average would receive additional funding for anything above that amount; 2) provide a sliding scale discount, whereby a school would receive less of a discount with increased spending; and/or 3) base funding on the size of the school district, using some kind of formula, such as  $a + bx$ , where  $a$  is a fixed amount per building location, and  $bx$  represents a variable amount dependent on  $x$  number of students.

NYNEX advances two options for setting the discount level. The Joint Board can establish a range within which states will operate, with states ultimately determining what discounts apply to individual schools. Or the Joint Board may set the discounts within a range, using such criteria as percentage of students in the school lunch program, the amount of Title I assistance being received, or some other criteria. Either way, discounts would vary depending upon a school's need.

In the alternative, instead of a fixed funding level as described above, NYNEX proposes that the base rate for discounts could be a competitively bid rate. In the absence of competition--an event which will become ever rarer as a result of the Telecommunications Act--NYNEX proposes that the incumbent offer services at the best equivalent price for a similarly situated business customer having the same volume and term requirements.

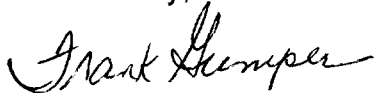
The bona fide request process can range from something as simple as certification of eligibility from the State, to a checklist for noting the yearly status of the school's technology, to a State coordinating role under which a school must submit an itemized technology plan. NYNEX takes no stand on this issue, other than noting that coordinated planning will enable the schools to make the best use of services, and will enable the Commission to measure technological progress.

NYNEX proposes that the administration of the plan be streamlined as follows. A certified school would send the required form to the fund administrator, providing all information needed to calculate the discount. The administrator would send back the form, assigning an account number and providing information on the discount that applies to the school. The school would then seek a competitive price for services, choose a provider, based on its needs and the best market price, and order its services, applying the discount to its order. Finally, the carrier would go to the fund administrator for reimbursement.

The NYNEX Education Proposal is flexible, it addresses the school's telecommunications needs, and it provides for predictable funding. It is, as well, based on technological neutrality and competitive factors which will keep base prices for schools low.

I would be glad to discuss the NYNEX Education Proposal further with you if you should have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank Gumper".

Frank Gumper

cc: D. Gonzalez

# **NYNEX EDUCATION PROPOSAL**

## **Services**

- Broad definition of services.
- Include internal connectivity and associated equipment.
- Include voice mail.

## **Price**

- Establish predictable, set amount of funding using an acceptable benchmark, such as McKinsey.
- Divide by the number of students, and disaggregate to produce a price per urban, and a price per rural student.
- Discount initial costs at level of 75%, and ongoing costs at 50%.

### **Alternatively:**

- Include a high-cost kicker - schools whose costs of service exceed 130% of national average receive additional funding.
- Sliding scale discount - schools receive less with increased spending.
- Funding tied to size of school district through formula.

## **Discount Mechanism**

### **Options**

- Joint Board establishes range - States determine what discounts apply to individual schools.
- Joint Board determines - sets discounts within range using varying criteria.

## **Base Rate for Discounts in the Alternative for Fixed Funding**

- Competitively bid rate.
- In absence of competition, determine best equivalent price for similarly situated customers having same volume and term.

## **Bona Fide Request**

### **Options:**

- Simple certification of eligibility.
- Checklist.
- Itemized technology plan.

### **Administration/Reimbursement**

- Certified school sends form to administrator with information needed to calculate discount.
- Administrator assigns account number, sends back information on what discount applies.
- School seeks competitive price, chooses provider, orders services applying discount.
- Carrier seeks reimbursement from fund.